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UNCLAS SECTION 01 OF 02 ROME 005601

SIPDIS

STATE PASS TO USTR/AG/MSLOAN
USDA FOR FAS FOR OA/KROBERTS
USDA FOR FAS FOR CMP/COTSD/BLUM
BRUSSELS PASS USEU FOR AG MIN-CNSLR
ATHENS FOR ECON, DCM, AMB

E.O. 12958: N/A

TAGS: [EAGR](#) [EU](#) [GR](#) [EU](#) [GR](#) [IT](#) [USTR](#) [ITEAGR](#) [USTR](#)
SUBJECT: GREECE'S DOMESTIC COTTON PROGRAMS
AND POLICIES

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REF: UNCLASS USDA FAS 57863

[1](#)1. SUMMARY: GREEK COTTON PRODUCTION IS SUSTAINED BY EU PRICE SUPPORTS WHICH VARY ACCORDING TO OVERALL PRODUCTION TARGETS. BECAUSE OF OVERPRODUCTION IN THREE OF THE LAST FIVE YEARS, THE AVERAGE PRICE PAID FOR SEED COTTON HAS VARIED FROM 62.50 EUROS PER 100 KG TO 88.0 EUROS PER 100 KG.

[1](#)2. KEY SUPPORT FOR GREECE'S COTTON PRODUCTION IS THE EU COTTON REGIME. EU REGULATIONS 1051/2001 AND 1591/2001 SET NEW POLICIES AND MEASURES FOR PREVENTING OVERPRODUCTION OF EU COTTON AND NEW CORESPONSIBILITY. THE LATTER IS THE MECHANISM (LEVY) FOR PENALIZING COTTON PRODUCERS FOR EXCEEDING A TARGET. THE MAXIMUM PRODUCTION LEVEL WAS SET AT 1,031,000 MT OF RAW COTTON (SEED COTTON). WHENEVER PRODUCTION EXCEEDS THIS LEVEL, THE TARGET PRICE IS REDUCED FOR BOTH STATES, GREECE AND SPAIN, AS DESCRIBED IN ARTICLE 3, PARAGRAPH 1 OF THE REGULATION NO.1051 IN CHAPTER II (UNDER PRICE MECHANISMS).

[1](#)3. IN 2001 GREEK COTTON PRODUCTION EXCEEDED THE QUOTA BY ALMOST 200,000 MT (RAW COTTON BASIS.) CONSEQUENTLY, HIGH PENALTIES WERE IMPOSED BY THE EU ON FARMERS, REDUCING THEIR
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TARGET PRICE BY OVER 20 PERCENT.

[1](#)4. IN MAY 2001 THE GOG OFFERED SUGGESTIONS TO COTTON FARMING GROUPS ON WAYS TO CONTINUE FARMING BUT TO REDUCE COTTON ACREAGE. THIS ADVICE WENT LARGELY UNHEEDED. NO INCENTIVE OTHER THAN THE USUAL EU PAYMENT WAS OFFERED. THIS ACTION PROVED TO BE UNSUCCESSFUL AND BOTH THE GOG AND FARMERS WERE DISAPPOINTED TO SAY THE LEAST. HOWEVER, IN 2002 A REDUCTION OF COTTON ACREAGE BY 25,000 HA TOOK PLACE, CAUSED BY THE 'DOCKING' OF PRICES PAID OUT FOR THE RECORD HIGH GREEK 2001 HARVEST. THIS YEAR'S (2003 HARVEST) OUTPUT IS EXPECTED TO REACH APPROXIMATELY 1,000,000 MT (WITHIN THE QUOTA), COMPARED TO A 2001 CROP OF 1,350,000 MT (RAW BASIS). ACREAGE FOREGONE FROM COTTON WAS UTILIZED FOR DURUM WHEAT, CORN, ALFALFA AND FORAGE PLANT CROPS.

[1](#)5. ALL COTTON CROP ACREAGE IN GREECE IS IRRIGATED. FARMERS PAY A FLAT FEE OF 120 EUROS PER HECTARE/YEAR REGARDLESS OF HOW MUCH WATER THEY CONSUME. ON-FARM USE OF FUEL ALSO IS SUBSIDIZED AT A DISCOUNT OF 10-15 PERCENT UNDER MARKET PRICES.

[1](#)6. A 5-YEAR (MARKETING YEAR) SERIES ON FARM GATE PRICES FOR RAW COTTON IN EUROS/100 KG IS SHOWN BELOW. FIGURES GIVEN ARE AVERAGED, SINCE ACTUAL PRICES PAID VARY BY QUALITY AND
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BY MONTH.

CROP	AVERAGE PRICE PAID BY GINNERS TO FARMERS (EUROS)
1997	85.69 (75.42 MINUS LEVY)
1998	98.30 (83.63 MINUS LEVY)
1999	71.00 (NO LEVY)
2000	88.00 (NO LEVY)
2001	88.10 (62.50 MINUS LEVY)

17. FOR SEVERAL YEARS THE GOG HAS UNSUCCESSFULLY PETITIONED BRUSSELS TO INCREASE THE COTTON PRODUCTION QUOTA THE GOG ARGUED THAT THE EU SHOULD ATTEMPT TO COVER "PRAGMATIC" ACREAGE PLANTED TO COTTON TO SUPPORT FARM INCOME. THE COMMISSION HAS REJECTED ALL SUCH REQUESTS. TO THE CONTRARY, UNDER THE COTTON REFORM OF MAY 2001 THE EU HAS CHANGED BASIC REGULATIONS PERTAINING TO COTTON CULTIVATION AND HAS IMPOSED STRICTER PENALTIES FOR OVERPRODUCTION.

18. THIS YEAR THE GOG HAS ABOLISHED THE HELLENIC COTTON BOARD (HCB), A QUASI -

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ACTION EUR-00

INFO	LOG-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00	DODE-00
	ITCE-00	SRPP-00	EB-00	EXME-00	E-00	UTED-00	VC-00
	FRB-00	H-01	TEDE-00	INR-00	ITC-01	LAB-01	VCE-00
	AC-01	NSAE-00	NSCE-00	OMB-01	OPIC-01	ACE-00	SP-00
	SSO-00	SS-00	STR-00	TEST-00	TRSE-00	USIE-00	EPAE-00
	ECA-00	DRL-02	G-00	SAS-00	/009W		
				-----0AEE58	190837Z	/38	

R 190718Z NOV 02
FM AMEMBASSY ROME
TO SECSTATE WASHDC 6971
USDA FAS WASHDC 2430
INFO AMEMBASSY ATHENS
AMEMBASSY BERLIN
AMEMBASSY BRUSSELS

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GOVERNMENT ORGANIZATION WHICH OPERATED OUT OF NATIONAL BUDGET FUNDS. HCB'S RESPONSIBILITIES WERE: CROP QUALITY GRADING, SEED CERTIFICATION AND CONTROL, TECHNICAL ADVICE (EXTENSION SERVICES), IMPLEMENTING EU POLICY REGULATIONS AND PROVIDING ADVICE TO FARMERS, GINNERS, SPINNERS AND THE TEXTILE INDUSTRY ON NEW TECHNOLOGY AND INTERNATIONAL TRADE DEVELOPMENTS. THESE RESPONSIBILITIES ARE TRANSFERRED TO THE FIELD CROPS DIVISION, MINISTRY OF AGRICULTURE, AS OF JUNE 2002. THERE IS LITTLE INDICATION THAT THE MINAG WILL BE ABLE TO QUICKLY FULFILL THE FUNCTIONS OF THE HCB.

19. FERTILIZERS, PESTICIDES AND SEED ARE NO LONGER SUBJECT TO PRICE SUPPORTS AND HAVE NOT BEEN FOR A MINIMUM OF FIVE YEARS. SEMBLER

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